

AUDIT COMMITTEE

REPORT OF THE HEAD OF FINANCIAL SERVICES – DAVE REES

26th JUNE 2015

SECTION C - MATTER FOR MONITORING

WARDS AFFECTED - ALL

TREASURY MANAGEMENT MONITORING 2015/16

1. Purpose of Report

- 1.1 This report sets out treasury management action and information reported recently to Policy and Resources Cabinet Board (28th May 2015) which also needs to be reviewed by the Audit Committee.

2. Rates of Interest

- 2.1 Bank base rates remain at of 0.5% (since 5th March 2009) and detailed below are the changes in the bank base rate since April 2008.

| Effective Date | Bank Rate |
|-----------------------|------------------|
| 10 April 2008 | 5.00% |
| 08 October 2008 | 4.50% |
| 06 November 2008 | 3.50% |
| 04 December 2008 | 2.00% |
| 08 January 2009 | 1.50% |
| 05 February 2009 | 1.00% |
| 05 March 2009 to date | 0.50% |

2.2 The following table provides examples of external borrowing costs as provided by the Public Works Loans Board 18th May 2015 pm:

| | Equal Instalments of Principal | | Annuity | | Maturity | |
|---------------|--------------------------------|---------------------|------------------------|---------------------|------------------------|---------------------|
| | Previous 25 March 2015 | Current 18 May 2015 | Previous 25 March 2015 | Current 18 May 2015 | Previous 25 March 2015 | Current 18 May 2015 |
| | % | % | % | % | % | % |
| 5-5.5 years | 1.63 | 1.63 | 1.63 | 1.63 | 2.06 | 2.06 |
| 10-10.5 years | 2.06 | 2.06 | 2.08 | 2.08 | 2.59 | 2.59 |
| 20-20.5 years | 2.59 | 2.59 | 2.63 | 2.63 | 3.14 | 3.14 |
| 35-35.5 years | 3.04 | 3.04 | 3.13 | 3.13 | 3.26 | 3.26 |
| 49.5-50 years | 3.25 | 3.25 | 3.27 | 3.27 | 3.22 | 3.22 |

3. General Fund Treasury Management Budget

3.1 The following table sets out the treasury management budget and end of year outturn position for 2014/15 and consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income.

| 2014/15 Revised Budget £'000 | 2014/15 Outturn Position £'000 | | 2015/16 Original Budget £'000 |
|------------------------------|--------------------------------|--|-------------------------------|
| 17,085 | 16,964 | Principal and Interest charges | 17,230 |
| | 246 | Contribution to Treasury Management Equalisation Reserve to fund SSIP and other Capital Programme over the next 3 years. | |
| 17,085 | 17,210 | Subtotal Expenditure | |
| | | Investment Income | |
| (654) | (806) | - Total | (614) |
| 200 | 227 | - less allocated to other funds | 210 |
| (454) | (579) | Subtotal Income | (404) |
| | | | |
| 16,631 | 16,631 | Net General Fund | 16,826 |

NB: Other funds include Trust Funds, Social Services Funds, Schools Reserves, Bonds etc.

4. Borrowing

4.1 No long term borrowing has been arranged since the previous report.

5.1 Investment Income

It can be seen from the table above that interest on investments exceeded the budgeted amount by £152,000. This is due to the fact that the level of cash balances during the year exceeded expectations and the interest rate generated was slightly higher than budgeted for due to the pro-active management of cash balances.

In relation to 2015/16 the budgeted income target is £614,000, investment income generated on investments made to date is £393,000.

Members should note that the majority of investments are classified as ‘specified’ i.e. up to 12 months and are currently with the major banks including Barclays, Lloyds Group, Bank Santander, Clydesdale, Royal Bank of Scotland and Nationwide Building Society.

- 5.2 The Council policy will allow investments up to a maximum of £25m for periods of more than 1 year and up to 5 years, and this will be considered when decisions on investing surplus funds are made.
- 5.3 No additional long term investments have been carried out since the last report. The Council currently has £10m invested for periods in excess of 12 months:

| Counterparty | Value £'000 | Period | Maturity | Rate % |
|-------------------------------|------------------------|---------------|-----------------|-------------------|
| Eastbourne Borough Council | 4,000 | 4.5 Years | June 18 | 2.2% |
| Peterborough City Council | 6,000 | 5 Years | Dec 18 | 2.1% |
| TOTAL | 10,000 | | | |

Icelandic Bank Update

- 5.4 Members should note the following position in relation to the recovery of monies from investments in Icelandic related banks.

5.5 The tables below show the amounts outstanding.

Table 1 – Original Investments

| Bank | Original Investment | Amount of Principal Repaid | Current Outstanding Investment |
|--------------|----------------------------|-----------------------------------|---------------------------------------|
| | £'000 | £'000 | £'000 |
| Heritable | 9,000 | 8,597 | 403 |
| KSF | 3,000 | 2,546 | 454 |
| Total | 12,000 | 11,143 | 857 |

Table 2 – Investments Held in Escrow Accounts – Icelandic Kroner

| Bank | Investment (Sterling Equivalent) | Amount Repaid | Outstanding Investment |
|-------------|---|----------------------|-------------------------------|
| | £'000 | £'000 | £'000 |
| New Glitnir | 387 | 0 | 387 |

5.6 Some of the investments matured by the old Glitnir Bank have resulted in cash being held in the form of Icelandic Kroner. In line with Icelandic law, the Kroner is not tradable and can only be spent within Iceland. The Local Government Association is pursuing ways of transferring these investments to realise repayments into Sterling. These new investments with the new bank are held in an Escrow Account in the name of the local authority and generating interest in excess of 4%.

5.7 Members should note that due to an Icelandic Court ruling the Council has repaid the creditors of the old Glitnir Bank £23k. The result of this is that of the £2m original invested in Glitnir Bank the Council has received back, including the Escrowed amount above, a total £2.027m.

List of Background Papers

Treasury Management Files
PWLB Notice Number 188/15

Appendix

None

Officer Contact

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